Weekly Economic Review

Manufacturing mired in weakness

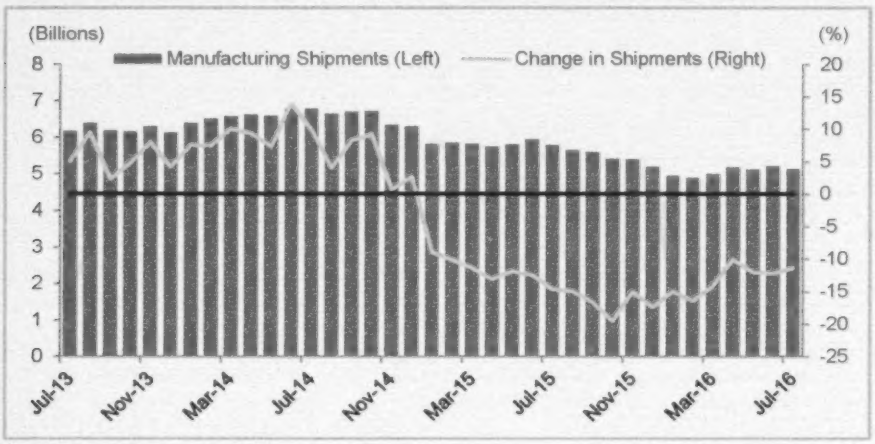
Manufacturing Shipments

Manufacturers struggling through the slowdown

After hitting a low point in February, Alberta's manufacturing shipments have been essentially flat. Shipments fell to $5.1 billion in July, down 1.5% month-over-month (m/m) (Chart 1). The decline was primarily attributable to a drop in chemical shipments (-12% m/m), which outweighed an increase in petroleum and coal (9.9% m/m) as well as food shipments (0.6% m/m). On a year-over-year (y/y) basis, manufacturing shipments were down 11% y/y. Petroleum and coal (-16% y/y) and machinery shipments (-40% y/y) remained key sources of weakness. Conversely, shipments of wood products were the sole bright spot (19% y/y), up for the fifth straight month. Chemical manufacturing remained nearly unchanged.

Chart 1: Another soft month for manufacturing shipments

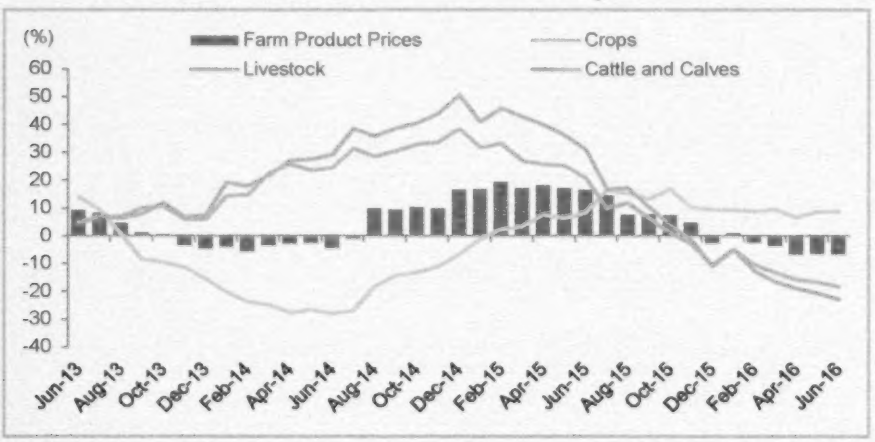
Year-over-year growth and total value of Alberta manufacturing shipments



Source: Statistics Canada

Chart 2: Cattle and calves depress overall farm gate prices

Alberta Farm Product Price Index and select sub-categories



Source: Statistics Canada

New Motor Vehicle Sales

Big-ticket vehicle purchases fade

New motor vehicles sales have steadily waned since mid-2014 as Albertans curtail large discretionary purchases. There were 19,066 new motor vehicles sold in July, down 14% y/y and the worst monthly sales for July since 2010. The number of trucks, vans and SUVs sold - which accounted for nearly eighty per cent of sales - was down 15% y/y. Passenger car sales have also weakened, down 13% y/y.

Farm Product Price Index

Bovine prices fall further

The farm product price index has steadily weakened over the past five months, down 6.7% y/y in June (Chart 2). The weakness was mostly due to livestock prices (-18% y/y), especially bovine prices that have tumbled since hitting a peak in April 2015. Cattle and calve prices were down 23% y/y, giving up the price gains realized over the past two years as American bovine inventories have grown. Poultry (-1.0% y/y) and dairy (-1.4% y/y) prices were down as well. Alberta crop prices, on the other hand, were up 8.8% y/y with broad based strength across all crop types. Specialty crop prices (36% y/y) in particular have risen rapidly due to growing demand

and adverse farming conditions in other countries. Prices for hogs (4.7% y/y) and eggs (3.6% y/y) also increased.

Resale Housing

Resale housing stabilizing at low level

Resale housing activity remained stable yet sluggish as summer drew to a close. There were 4,279 existing home sales across Alberta in August (Chart 3), down 4.0% m/m. Existing home sales were weighed down by weaker resale activity in both Edmonton (-7.8% m/m) and Calgary (-4.9% m/m). Along with reduced sales, new listings across Alberta fell 3.0% m/m. Because the drop in sales exceeded the decline in new listings, the sales-to-new listings ratio fell half a percentage point to 48.9% - still well within the range indicating a balanced market. Despite more stability in the resale market, relatively lacklustre sales pushed the average resale price in August down 2.2% m/m to $393,706.

Existing home sales declined across most of Canada. Along with the enactment of a land-transfer tax in the Greater Vancouver Area, resale activity continued to wane in British Columbia (-10% m/m). Sales were also down in Ontario (-0.5% m/m), Quebec (-1.5% m/m) and Saskatchewan (-4.9% m/m).

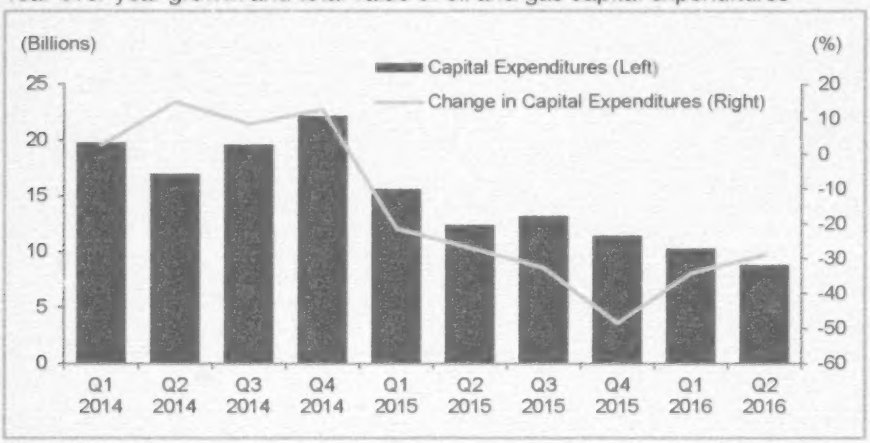
Chart 3: Slowed sales limits price appreciation

Average existing home price and sales-to-new listings ratio

Source: Canadian Real Estate Association

Chart 4: Oil price shock leads to a sizable investment drop

Year-over-year growth and total value of oil and gas capital expenditures



Sources: Statistics Canada

Oil & Gas Capital Spending

Investment continues to weaken

Low oil prices have depressed investment by oil and gas companies throughout Canada. Capital expenditures by Canadian oil and gas companies fell to $8.8 billion in the second quarter of 2016, down 29% y/y (Chart 4). Moreover, capital expenditures have steadily weakened over the past six quarters and were down by 60% compared with the peak in late-2014.

National Balance Sheet

Wealth grows alongside debt

Canada's national wealth was nearly unchanged in the second quarter. Gains for households were offset by a decrease in corporate and government net worth. Household net worth in the second quarter of 2016 was up 1.9% quarter-over-quarter (q/q), rising to $271,300 per household. Net worth was boosted by 2.2% q/q growth in non-financial assets, especially the appreciation of land owned by households (3% q/q). The value of financial assets was also up (1.7% q/q). However, growth in household debt (2.0% q/q) outpaced higher disposable income (0.5% q/q), pushing the household debt-to-disposable income ratio up 2.4 percentage points to 167.6% - the largest quarterly uptick since 2009.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.